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2007 MAY 30 P 4: 35

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
**DOCKETED**

MAY 30 2007

DOCKETED BY	KK
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Attorneys for Northern Sunrise Water Company  
and Southern Sunrise Water Company

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER COMPANY FOR A  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER UTILITY  
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER COMPANY FOR A  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER UTILITY  
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION  
OF NORTHERN SUNRISE WATER COMPANY  
AND SOUTHERN SUNRISE WATER COMPANY  
FOR THE APPROVAL OF SALE AND TRANSFER  
OF WATER UTILITY ASSETS, AND  
CANCELLATION OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY, FOR  
MIRACLE VALLEY WATER COMPANY,  
COCHISE WATER COMPANY, HORSESHOE  
RANCH WATER COMPANY, CRYSTAL WATER  
COMPANY, MUSTANG WATER COMPANY,  
CORONADO ESTATES WATER COMPANY, AND  
SIERRA SUNSET WATER COMPANY, LOCATED  
IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251  
W-20454A-06-0251  
W-01646A-06-0251  
W-01868A-06-0251  
W-02235A-06-0251  
W-02316A-06-0251  
W-02230A-06-0251  
W-01629A-06-0251  
W-02240A-06-0251

**MOTION TO EXTEND TIME TO  
COMPLY WITH DECISION NO.  
68826**

Northern Sunrise Water Company and Southern Sunrise Water Company ("Applicants")  
hereby submit this Motion to Extend Time to Comply with Decision No. 68826 (June 29, 2006)  
in the above-captioned matter.

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1 Court allowed additional time to newly identified debtor lien holders who were not properly  
2 notified to respond, and added a few additional assets that were used in the McLain Systems that  
3 were not originally part of the bankruptcy proceedings. As a result, the sale did not close until  
4 February 19, 2007. Copies of the closing documents are attached as **Exhibit 2**. Because  
5 Applicants could not commence the large capital projects until the transaction was finalized, there  
6 is good cause to extend the deadline to complete the remainder of improvements listed in  
7 **Exhibit 1**. Extending the deadline until February 19, 2008 is consistent with the original intent in  
8 Decision No. 68826 to have the improvements completed within 12 months of the closing of the  
9 sale of assets, as well as Ordering Paragraph ¶ 21, which anticipates this very application.

10 Applicants wish to emphasize that during the approximate six (6) month delay, company  
11 personnel performed many repair and maintenance tasks in preparation of improving the McLain  
12 Systems once the physical assets were acquired. Attached hereto as **Exhibit 3** is the affidavit of  
13 Matthew Garlick, Regional Operations Manager of the Infrastructure Division of Algonquin  
14 Water Resources, LLC, which contains a summary list of the pre-acquisition system maintenance  
15 activity. In addition, Mr. Garlick provides a detailed explanation of Applicants' efforts to  
16 improve the McLain Systems since the closing. Applicants believe that despite the delay caused  
17 by the Bankruptcy Court proceedings, they have in good faith pursued system repair and  
18 maintenance to the extent possible to ensure safe and reliable water service to their customers.  
19 See Garlick Affidavit at ¶ 6-7.

20 **II. Applicants Should Be Allowed to File General Rate Applications by December 31,**  
21 **2008, Employing a Test Year Ending June 30, 2008.**

22 Decision No. 68826 modified an earlier order of the Commission directed at the then-  
23 existing water utilities, i.e., the McLain Systems and the Commission's prior contract operator—  
24 ASUA. The modification allowed Applicants to employ a 2007 Test Year as part of rate  
25 applications to be filed in 2008. A 2007 Test Year reflected Staff's recognition that, due to the  
26 extensive repairs and necessary construction, a 2007 Test Year would better reflect the ongoing

1 level of investment and expenses than a 2006 Test Year, and result in rates that more accurately  
2 reflect costs incurred by Applicants to improve the system. Decision No. 68826 at ¶ 83.

3 Applicants still intend to file rate applications by December 31, 2008. However,  
4 Applicants wish to move forward in completing the system improvements with the tacit  
5 understanding that the delay caused by the bankruptcy proceedings will not unduly prejudice  
6 them in their respective rate applications. Because of the six month delay in transferring the  
7 assets, the test year should be extended by approximately the same timeframe – to June 30, 2008  
8 – to accurately reflect the level of investment and expenses, as outlined by Staff in supporting the  
9 calendar 2007 Test Year. Applicants seek approval to use a test year ending June 30, 2008 in the  
10 filing of rate applications on or before December 31, 2008.

#### 11 CONCLUSION

12 Despite approximately six months of delay caused by the bankruptcy proceedings to close  
13 the sale, Applicants continued to repair, operate and maintain the McLain Systems so that  
14 customers would receive safe and reliable water. Once the sale transaction closed on  
15 February 19, 2007, Applicants began addressing the more complex system improvements  
16 identified in **Exhibit 1**. However, more time is required. Based on the circumstances of the  
17 delay, Applicants assert that there is good cause to grant this motion. Finally, in order to make  
18 matters consistent with the intent of the Decision No. 68826, Applicants should be allowed to  
19 utilize a Test Year ending June 30, 2008, in order to capture as much capital investment in new  
20 infrastructure and known and measurable operating expenses as possible.

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1 RESPECTFULLY SUBMITTED THIS 30<sup>th</sup> day of May, 2007.

2 FENNEMORE CRAIG, P.C.

3  
4 By: 

5 Jay L. Shapiro

6 Patrick J. Black

7 Suite 2600

8 3003 North Central Avenue

9 Phoenix, Arizona 85012

10 Attorneys for Northern Sunrise Water Company  
11 and Southern Sunrise Water Company

12 **ORIGINAL and 33 copies filed**  
13 this 30th day of May, 2007 to:

14 Docket Control  
15 Arizona Corporation Commission  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

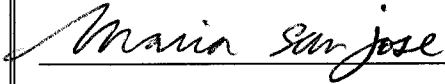
18 **Copy sent via e-mail and U.S. mail**  
19 this 30th day of May, 2007 to:

20 Jane L. Rodda, ALJ  
21 Hearing Division  
22 Arizona Corporation Commission  
23 400 W. Congress St.  
24 Tucson, AZ 85701

25 **Copy hand delivered**  
26 this 30th day of May, 2007 to:

Christopher Kempley, Chief Legal Counsel.  
Legal Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

1 Linda Jaress, Executive Consultant  
2 Utilities Division  
3 Arizona Corporation Commission  
4 1200 W. Washington St.  
5 Phoenix, AZ 85007

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# Exhibit 1

Cochise Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description	Cost			
<b>Naranja Well Site</b>				
Add meters to wells	\$10,000	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 800 L.F.	\$12,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	\$800	ASAP after Closing	6-12 Months	Immediate
Repair 5 hp booster pump	\$500	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	\$10,000	ASAP after Closing	6-12 Months	Immediate
Replace Air Compressor and controls on Pressure Tank	\$1,000	ASAP after Closing	6-12 Months	Immediate
Replace Guages on Booster and Transfer Pumps	\$1,000	ASAP after Closing	6-12 Months	Immediate
Replace check valves on booster and transfer pumps	\$500	ASAP after Closing	6-12 Months	Immediate
Build concrete pads to mount booster and transfer pumps	\$1,000	ASAP after Closing	6-12 Months	Immediate
Install well pump high level shut off level controller to storage tank	\$5,000	ASAP after Closing	6-12 Months	Immediate
Install low level sensor in storage tank for booster & transfer pump shut off	\$5,000	ASAP after Closing	6-12 Months	Immediate
Install telemetry system to start and stop transfer pumps filling Horseshoe storage	\$10,000	ASAP after Closing	6-12 Months	Immediate
Add sampling taps to wells	\$500	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site	\$1,000	ASAP after Closing	6-12 Months	Immediate
Remove old storage tank and trash and grade well site	\$5,000	ASAP after Closing	6-12 Months	Immediate
<b>Total</b>	<b>\$63,300</b>			
<b>Jaxell Road site</b>				
Add Meter to well	\$3,500	ASAP after Closing	6-12 Months	Immediate
Add additional booster pump	\$3,500	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site	\$1,000	ASAP after Closing	6-12 Months	Immediate
<b>Total</b>	<b>\$8,000</b>			

EXHIBIT B

DECISION NO. 68826



Horseshoe Ranch Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
<b>Project Description</b>	<b>Cost</b>			
Replace 3 inch meter measuring transfer flow from Cochise	\$3,000	ASAP after Closing	6-12 Months	Immediate
Replace fence with a minimum 6 ft. high chain link fence with barbed wire 200 L.F.	\$3,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	\$800	ASAP after Closing	6-12 Months	Immediate
Replace 2 - 7.5 hp booster pumps	\$5,000	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	\$10,000	ASAP after Closing	6-12 Months	Immediate
Replace 3,000 gallon pressure tank	\$13,000	ASAP after Closing	6-12 Months	Immediate
Design and construct interconnection with Bella Vista south system	\$10,000	ASAP after Closing	6-12 Months	Immediate
Repair doors on storage building	\$1,000	ASAP after Closing	6-12 Months	Immediate
Add air relief valve to transmission line from Cochise and grade and secure site	\$6,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of storage & well sites	\$1,000	ASAP after Closing	6-12 Months	Immediate
<b>Total</b>	<b>\$52,800</b>			

Miracle Valley Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
<b>Project Description</b>	<b>Cost</b>			
Add meter to well	\$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	\$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	\$800	ASAP after Closing	6-12 Months	Immediate
Add two 7.5 hp booster pumps	\$5,000	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	\$10,000	ASAP after Closing	6-12 Months	Immediate
Add storage tank Minimum 150,000 gallons	\$150,000	ASAP after Closing	6-12 Months	Immediate
Replace 5,000 gallon pressure tank	\$20,000	ASAP after Closing	6-12 Months	Immediate
Add sampling tap to well	\$500	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of two well sites	\$2,000	ASAP after Closing	6-12 Months	Immediate
<b>Total</b>	<b>\$197,800</b>			

Mustang Water - Part of Northern Sunrise Water Company			Project Start	Duration	Benefit to Customer
Proposed Capital Improvements					
Project Description		Cost			
<b>Main Well Site</b>					
Add meter to well		\$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.		\$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate		\$800	ASAP after Closing	6-12 Months	Immediate
Replace existing well with new well		\$25,000	ASAP after Closing	6-12 Months	Immediate
Replace well pump & piping		\$7,500	ASAP after Closing	6-12 Months	Immediate
New Electrical Control and wiring system		\$10,000	ASAP after Closing	6-12 Months	Immediate
New 5,000 Gallon Pressure Tank		\$20,000	ASAP after Closing	6-12 Months	Immediate
New 60,000 gallon storage tank (At least this size)		\$80,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of at least two well sites		\$2,000	ASAP after Closing	6-12 Months	Immediate
	Total	\$154,800			
Note: As an alternative, determine if existing well can be rehabilitated If so, rehab well, and replace well pump instead of drilling new well					

Crystal Water - Part of Northern Sunrise Water Company			Project Start	Duration	Benefit to Customer
Proposed Capital Improvements					
Project Description		Cost			
<b>Main Well Site</b>					
Add meter to well		\$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.		\$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate		\$800	ASAP after Closing	6-12 Months	Immediate
Replace existing well with new well		\$25,000	ASAP after Closing	6-12 Months	Immediate
Replace well pump & piping		\$7,500	ASAP after Closing	6-12 Months	Immediate
New Electrical Control and wiring system		\$10,000	ASAP after Closing	6-12 Months	Immediate
New 5,000 Gallon Pressure Tank		\$20,000	ASAP after Closing	6-12 Months	Immediate
New 60,000 gallon storage tank (At least this size)		\$80,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site		\$1,000	ASAP after Closing	6-12 Months	Immediate
	Total	\$153,800			
Note: As an alternative, determine if existing well can be rehabilitated If so, rehab well, and replace well pump instead of drilling new well					

Coronado Estates Water - Part of Northern Sunrise Water Company Proposed Capital Improvements			Project Start	Duration	Benefit to Customer
<b>Main Well Site</b>					
<b>Project Description</b>					
Add meter to well			\$3,500	ASAP after Closing	6-12 Months
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.			\$6,000	ASAP after Closing	6-12 Months
Construct 12 ft wide chain link gate			\$800	ASAP after Closing	6-12 Months
Replace well pump & piping			\$7,500	ASAP after Closing	6-12 Months
New Electrical Control and wiring system			\$10,000	ASAP after Closing	6-12 Months
New 5,000 Gallon Pressure Tank			\$20,000	ASAP after Closing	6-12 Months
New 100,000 gallon storage tank (at least this size)			\$100,000	ASAP after Closing	6-12 Months
Survey property to establish property boundaries of well site			\$1,000	ASAP after Closing	6-12 Months
<b>Total</b>			<b>\$148,800</b>		

Sierra Sunset Water - Part of Northern Sunrise Water Company Proposed Capital Improvements			Project Start	Duration	Benefit to Customer
<b>Main Well Site</b>					
<b>Project Description</b>					
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.			\$6,000	ASAP after Closing	6-12 Months
Construct 12 ft wide chain link gate			\$800	ASAP after Closing	6-12 Months
Survey property to establish property boundaries of well site			\$1,000	ASAP after Closing	6-12 Months
Install customer meters to 30 customers			\$15,000	ASAP after Closing	6-12 Months
<b>Total</b>			<b>\$22,800</b>		

# **Exhibit 2**

1 Michael M. Neal, Esq.  
2 **LAW OFFICE OF MICHAEL M. NEAL, P.C.**  
3 110 S. Church Avenue, Suite 4298  
4 Tucson, Arizona 85701  
5 Telephone: (520) 623-5686  
6 Facsimile: (520) 623-5255  
7 E-Mail: mmnealpc@qwest.net  
8 State Bar No. 04331

9 and

10 Britt Hanson, Esq.  
11 Office of the County Attorney  
12 P.O. Box CA  
13 Bisbee, AZ 85603  
14 Telephone: (520) 432-8700  
15 Facsimile: (520) 432-8778  
16 E-mail: bhanson@co.cochise.az.us  
17 State Bar No.: 012739

18 Co-Counsel for Cochise County

19 **IN THE UNITED STATES BANKRUPTCY COURT**  
20 **FOR THE DISTRICT OF ARIZONA**

21 In re:

22 **JOHNNY A. MCLAIN and**  
23 **LINDA M. MCLAIN,**  
24 **husband and wife,**

25 Debtors.

Chapter 11 Proceeding

Case No. 4-03-bk-04125-EWH

**REPORT ON SALE OF  
WATER COMPANIES**

26 Cochise County reports to the Court that on or about February 21, 2007, the Court  
27 authorized and approved sale of water companies closed. Attached hereto is a true copy of the  
Settlement Statement for the sale. The sales proceeds are being held by the escrow agent, Pioneer  
Title Agency, subject to further Order of this Court. A sale of the Wireless System is expected  
to Close in the near future. Upon that sale closing substantive assets of the estate will be

1 liquidated and the monies available for distribution under the confirmed Plan will be known. At  
2 that time a distribution application will be filed.

3 RESPECTFULLY SUBMITTED this 28<sup>th</sup> day of February, 2007.

4 LAW OFFICE OF  
5 MICHAEL M. NEAL, P.C.

6 By: /s/ Michael M. Neal  
7 Michael M. Neal  
8 Co-Counsel for Cochise County

9 Copy of the foregoing mailed this  
10 28<sup>th</sup> day of February, 2007, to:

11 Office of the United States Trustee  
12 230 N. First Ave., Ste. 204  
13 Phoenix, AZ 85003-1706

14 Rob Charles, Esq.  
15 Lewis and Roca, L.L.P.  
16 1 S. Church Ave., #700  
17 Tucson, AZ 85701-1611  
18 Attorney for Buyer

19 Michael W. Baldwin, Esq.  
20 Law Offices of Michael W. Baldwin  
21 P.O. Box 35487  
22 Tucson, AZ 85740-5487  
23 Attorney for Debtors

24 Denise Faulk, Esq.  
25 Arizona Attorney General's Office  
26 1275 West Washington  
27 Phoenix, AZ 85007  
Attorney for Arizona Dept. of Revenue

Christopher C. Kempley  
Legal Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

Britt Hanson, Esq.  
Deputy County Attorney  
Office of the County Attorney  
P.O. Box CA  
Bisbee, AZ 85603  
Attorney for Cochise County

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
SETTLEMENT STATEMENT

Pioneer Title Agency, Inc.  
P.O. Box 1900  
580 E. Wilcox Dr.  
Sierra Vista, AZ 85636-1900

FINAL

B. TYPE OF LOAN			OMB N° 12-0265
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FMHA	3. <input type="checkbox"/> CC	NS.
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> CONV. INS.		
6. ESCROW FILE NUMBER: 00515132-001 FMM		7. LOAN NUMBER:	
8. MORTGAGE INSURANCE CASE NUMBER:			

C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "P.O.C." were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. NAME OF BORROWER: NORTHERN SUNRISE WATER COMPANY, INC. and SOUTHERN SUNRISE WATER COMPANY, INC.

ADDRESS OF BORROWER: 2845 BRISTOL CIRCLE  
OAKVILLE, ONTARIO CANADA L6H7H

E. NAME OF SELLER: JOHNNY A. MC LAIN and LINDA M. MC LAIN

This is to certify that this is a true  
and correct copy of this instrument

*Fran Millante*

ADDRESS OF SELLER: 7110 E. JAXEL ROAD  
HEREFORD, AZ 85615

F. NAME OF LENDER:  
ADDRESS OF LENDER:

G. PROPERTY LOCATION:  
AZ  
Cochise SEE ATTACHED  
SEE ATTACHED

H. SETTLEMENT AGENT: Pioneer Title Agency, Inc.  
PLACE OF SETTLEMENT: P.O. Box 1900, 580 E. Wilcox Dr., Sierra Vista, AZ 85636-1900

I. SETTLEMENT DATE: 02/18/2007 PRORATION DATE: 02/18/2007 FUNDING DATE: 02/18/2007

J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. Gross Amount Due From Borrower:		400. Gross Amount Due To Seller:	
101. Contract Sales Price	696,752.14	401. Contract Sales Price	696,752.14
102. Personal Property		402. Personal Property	
103. Settlement charges to Borrower (line 1400)	1,030.00	403.	
104.		404.	
105.		405.	
Adjustments For Items Paid By Seller In Advance:		Adjustments For Items Paid By Seller In Advance:	
106. City/Town Taxes		406. City/Town Taxes	
107. County Taxes		407. County Taxes	
108. Assessments		408. Assessments	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
113.		413. FUNDS DEPOSITED FOR UCC SEARCH	250.00
114.		414.	
115.		415.	
120. Gross Amount Due from borrower:	697,782.14	420. Gross Amount Due to Seller	697,002.14
200. Amounts Paid by or in behalf of Borrower:		500. Reductions in Amount Due To Seller:	
201. Deposit or earned money	200,000.00	501. Excess deposit (see instructions)	
202.		502. Settlement charges to Seller (line 1400)	694,149.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. FUNDS DEPOSITED 8/11/06	498,000.00	504. Payoff of first mortgage loan	
205. INTEREST EARNED ON FUNDS DEP.	9,478.99	505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments For Items Unpaid By Seller:		Adjustments For Items Unpaid By Seller:	
210. City/Town Taxes		510. City/Town Taxes	
211. County Taxes 01/01/07 - 02/16/07	2,799.14	511. County Taxes 01/01/07-02/16/07	2,799.14
212. Assessments		512. Assessments	
213.		513. \$ PD TO OBTAIN UCC SEARCHES	54.00
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower	710,276.13	520. Total Reductions in Amount Due Seller	697,002.14
300. Cash at Settlement from/to Borrower:		600. Cash at Settlement to/from Seller:	
301. Gross amount due from Borrower (line 120)	697,782.14	601. Gross amount due to Seller (line 420)	697,002.14
302. Less amount paid by/for Borrower (line 220)	710,276.13	602. Less reductions in amount due Seller (line 52)	697,002.14
303. Cash TO Borrower:	12,483.99	603. Cash TO Seller:	0.00

INITIALS: \_\_\_\_\_

INITIALS: \_\_\_\_\_

**L SETTLEMENT CHARGES:****700. Total Sales/Broker's Commission:**

Based on Price \$896,752.14 @ % = 0.00			
Division of Commission (line 700) follows:			
701. \$	0.00 to	Paid from Borrower's Funds at Settlement	Paid from Seller's Funds at Settlement
702. \$	0.00 to		
\$	0.00 to		
703. Commission paid at settlement			
704.			

**800. Items Payable In Connection With Loan:**

801. Loan Origination Fee		
802. Loan Discount Fee		
803. Appraisal Fee		
804. Credit Report		
805. Lenders inspection Fee		
806. Mortgage Insurance Application Fee		
807. Assumption Fee		
808.		
809.		
810.		
811.		

**900. Items Required By Lender To Be Paid In Advance:**

901. Interest		
902. Mortgage Insurance Premium		
903. Hazard Insurance Premium		
904.		
905.		

**1000. Reserves Deposited With Lender:**

1001. Hazard Insurance		
1002. Mortgage Insurance		
1003. City Property Taxes		
1004. County Property Taxes		
1005. Annual Assessments		
1006.		
1007.		
1008. Aggregate Adjustment months @ \$	0.00	

**1100. Title Charges:**

1101. Settlement or closing fee to Pioneer Title Agency, Inc.	355.00	355.00
1102. Abstract or title search		
1103. Title examination		
1104. Title insurance binder		
1105. Document preparation		
1106. Notary Fees		
1107. Attorney's Fees		
(includes above item numbers: )		
1108. Title Insurance		
(included above item numbers: )		
1109. Lender's Coverage		
1110. Owner's coverage \$ 350,000.00 to Pioneer Title Agency, Inc.		1,200.00
1111.		
1112.		
1113.		
1115. Courier-FED EXP TO/FR SELLER to Pioneer Title Agency, Inc.		50.00
1117. Addtl Wk Esc Fee 10 hrs @ \$75. to Pioneer Title Agency, Inc.	375.00	375.00
1118. Addtl Wk Title 10 hrs @ \$60. to Pioneer Title Agency, Inc.	300.00	300.00
1119. REC-DEEDS/HS ABAND/ORDERS to Pioneer Title Agency, Inc.		300.00

**1200. Government Recording and Transfer Charges**

1201. Recording Fees:		
1202. City/County tax/stamps		
1203. State tax/stamps		
1204. City Transfer Tax		
1205. County Transfer Tax		
1206.		
1207.		

**1300. Additional Settlement Charges:**

1301. Survey		
1302. Pest Inspection		
1303. 2004-2006 TX to COCHISE COUNTY TREASURER		82,612.19
1304. PROCEEDS REMAINING to TO BE DETERMINED BY BK COURT		608,881.81
1305. DEED SIGNING FEE to STEWART TITLE & TRUST		75.00
1306.		

INITIALS: \_\_\_\_\_

INITIALS: \_\_\_\_\_



SCROW FILE NUMBER: 00515132-001 FMM

OMB No. 2402-0265

1307.

1400. Total Settlement Charges (Enter on line 103, Section J - and - line 502, Section K)

1,030.00

85,49.00

INITIALS: \_\_\_\_\_

INITIALS: \_\_\_\_\_

# Exhibit 3

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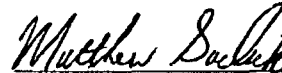
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1 Cochise – Naranja well site was automated in April, 2007. We are currently completing the  
2 altitude valve installation at the Horseshoe storage tank, scheduled to be finalized at the end of  
3 May 2007. Northern Sunrise Water Company completed chlorinating its system in April 2007.  
4 The same should be completed for Southern Sunrise Water Company by the end of June 2007.  
5 Finally, the design and engineering for the Companies' entire systems are underway, and should  
6 be complete within forty-five (45) days. Once approval by the Commission and the Arizona  
7 Department of Environmental Quality is obtained, procurement of the necessary infrastructure  
8 will begin.

9 7. It is my belief that the system improvements cannot be completed by August 25,  
10 2007. Because of the delay in closing, I believe it is reasonable to extend the deadline for  
11 completing the improvements to February 19, 2008 – twelve months after the closing.

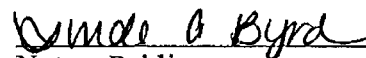
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13 Matthew Garlick  
14  
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16 SUBSCRIBED and sworn to before me this 30<sup>th</sup> day of May, 2007.



OFFICIAL SEAL  
LINDA A. BYRD  
Notary Public - State of Arizona  
MARICOPA COUNTY  
My Comm. Expires July 22, 2007

19   
20 Notary Public  
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My Commission Expires:

July 22, 2007

**Affidavit of Matthew Garlick**

**Exhibit A**

## Northern and Southern Sunrise Up-Dates

### October, 2006

- Hired four (4) new employees to staff Northern and Southern Sunrise Companies.
- Taken over billing and customer service activities.
- Purchased company four (4) vehicles (delivered October 27) and equipment needed for operations.
- Issued health and safety equipment for all employees. Begun health and safety training of new employees. Formal training to follow on November 3, 2006.
- Health and safety site inspection completed by our safety contractor. Complete.
- Clean and remove all hazardous debris from each site.
- Begun replacing distribution valves.
- Secured sites by changing out locks on all electrical panels.
- Begun evaluating operating equipment and repairing malfunctioning equipment (i.e. check valves).
- Begun locating and mapping water meters within the system.
- Field identification of distribution leaks and repairs as deemed necessary.
- Begun writing total coliform sampling, disinfection by-product (TTHM/HAA5) sampling plans for water systems to be submitted in three (3) weeks.
- Begun obtaining bids for chlorine equipment and engineering services for each well site.
- Identify all existing water utility sites for ownership and real property boundaries. As well as reviewing legal property descriptions.

- Held monthly update meeting meetings with ACC and ADEQ staff.

### November, 2006

- Retained Westland Engineering firm as design engineer.
- Installed new flow meter and backflow valve at Mustang well site.
- Potholed to locate Mustang-Crystal interconnect.
- Potholed to locate water lines inside Crystal well site.
- Potholed to locate water lines at Cochise Naranja well site.
- Installed new flow meter and backflow valve at Cochise Well No. 1 and No. 3.
- Installed a new pressure tank (In-Kind) at Crystal well site. Re-routed the existing electrical control wiring and placed electrical in buried conduit (Removing electrical tripping and shock hazard).
- Installed several new gate valves in at Calle de la Fresa in Cochise.
- Installed new backflow valves on booster pumps at Horseshoe Ranch site.
- Installed new gate valves and backflow valves on pressure tank at Cochise Naranja well site.
- Installed new backflow valve on pressure tank at Cochise Jaxel well site.
- Miracle Valley flow meter ordered.
- Begun creating water system signs which will include the following, Well Site Name, Well Site PWS No., Water System I.D., and Emergency telephone contact information. These are currently being ordered.
- Health and Safety Immediately Dangerous to Life and Health (IDLH) issues are being addressed. (i.e. electrical hazards, etc.)
- Collecting flow data and power data from well sites on a daily basis.
- Begun deploying pressure sensors throughout the community. These will be utilized for engineering purposes.

- Begun reviewing current CC & N boundaries. Attempting to determine the extent of the CC & N for each utility.
- Working on identify non paying customers.
- Started building a customer waiting list for service.
- Begun writing Backflow Prevention Plan.
- Begun working on Water Curtailment Plan (Drought Management Plan).
- Begun reviewing Emergency Operations Plans.
- Franchise documents signed and sent for approval to Cochise County.
- Registered with Arizona Blue-stake.
- AWS had an open house for all Mclain water customers on November 15, 2006.
- Held monthly update meeting meetings with ACC and ADEQ staff.

#### **December, 2006**

- Repaired and located key valves through-out the system, especially in Cochise/Horseshoe water system.
- Identified and begun replacing non working water meters. The amount is estimated at 42.
- Signed off and approved to start chlorine installation engineering and equipment procurement.
- Begun on identifying operating assets against Cochise County property recorders. We identified that at least one and possibly two assets were missing in the bankruptcy closing documents (Mclain 5,000 pressure tank and well site, and possibility one more additional well site in Miracle Valley).
- Held monthly update meeting meetings with ACC and ADEQ staff.

#### **January, 2007**

- Replaced Sierra Sunset well pump and starter.



- Water line repairs due to cold weather outages. Insulated all of the well sites and booster stations.
- Completed the installation of flow meters to Cochise/Horseshoe, Crystal, Miracle Valley, and Mustang. Sierra Sunset has always had a flow meter.
- Completed chlorination engineering design for all systems other than Coronado which was previously chlorinated last year.
- Begun posting up-dates as to the status of the purchase of the Mclain systems. This was posted on the Algonquin Water Services, L.L.C. web site.
- Continued to repair or replace water meters. 10 of 42 have been completed to date.
- Held monthly update meeting meetings with ACC and ADEQ staff.
- Begun tracking on Lost and unaccounted for water.

#### February, 2007

- Replaced pump motor, column pipe, tube and shaft on the Coronado water system.
- Purchased of Mclain systems final February 19, 2007.
- Continued 23 of 42 water meter repairs or replacements.
- Continued to fix water line breaks as they occur.
- Started to install chlorine disinfection systems on all of the water systems starting with Sierra Sunset water system.
- Held monthly update meeting meetings with ACC and ADEQ staff.
- Started the design engineering for all of the systems.

#### March, 2007

- Held monthly update meeting meetings with ACC and ADEQ staff.
- Filed grant application to WIFA for matching engineering funds.

- Reviewed various site issues in regards to design engineering (i.e. the Naranja site has fence requirements).
- Continued installation of chlorine systems to Mustang and Crystal water utilities.
- Begun creating the Consumer Confidence Report required for the system for 2007.
- Confirmed that Horseshoe and Cochise and Crystal and Mustang Public Water System (PWS) identification numbers have been combined.
- Completed 42 of 42 water meter repairs or replacements.
- Repair and replacement of electrical equipment to Cochise/Horseshoe water system.
- Location of interconnection point between Jaxel and Cochise system. We have ordered up the valves and pressure sustaining valve so that the Cochise system can automatically feed water to the Jaxel system.
- Begun the water service line location and water meter installation project for Sierra Sunset.
- Deployed a new (800) number for Northern and Southern Sunrise water customers only. This was done to expedite the response time to complaints and to aid in speeding up response times to customer complaints.
- Started surveying all of the property boundaries.
- Submitted new bacterial plans and TTHM/HAA5 plans to ADEQ for approval. These are needed for the chlorine disinfection that is underway.
- Replaced failing booster pumps for Horseshoe storage and booster facility. We have pre-purchase a second pump a back-up. These pumps are critical for operations of the Horseshoe system.
- Filed sales transaction with ACC.

#### April , 2007

- Filed the Curtailment and Cross-Connection Tariffs with the ACC on April 4, 2007.

- Completed approximately 22 of a potential 30 water meter installations for Sierra Sunset.
- Completed deploying 22 radio meter read devices for Sierra Sunset.
- Completed the electrical well site repairs at the Naranja well site. The wells at the site now automatically feed the 160,000 pressure storage tank. When the tank levels drop they automatically turn on the wells to fill-up. This is the first phase of a two phase project. The second phase includes having an altitude valve being placed on the Horseshoe storage tank so that water will automatically transfer from the Naranja well site to the Horseshoe storage site (Sunnyvale). This is what caused the water outage last year. Once this is in place and as long as there is water, the altitude valve will automatically transfer water to the Horse tank.. Another benefit to this project is that there are six (6) customers are on the transfer line and have always had low water pressure. Once this tank has been completely automated (by adding two (2) pressure tanks) they will always have water.
- Evaluated storage tanks that may be moved from site to site. The 10,000 steel storage tank located at the Cochise site is not in good condition and can not be used for storage according the Westland Resources engineer.
- Held monthly update meeting meetings with ACC and ADEQ staff.

#### May, 2007

- Completed the Jaxel well site/ Cochise water interconnection. It is currently working well.
- Rapidly deploying our efforts to get storage to Coronado well site. We have begun observing declining water pressure in the morning and afternoon times due to demand out pacing water production. We anticipate this being done with the next 6 to 8 weeks.
- Continued to deploy chlorine to Miracle Valley as well as Cochise/Horseshoe.
- Begun pot-holing efforts in order to locate water lines in Sierra Sunset and also begin looking for a potential inter-connect that may exist between Sierra Sunset and Coronado water systems.